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Directorate of
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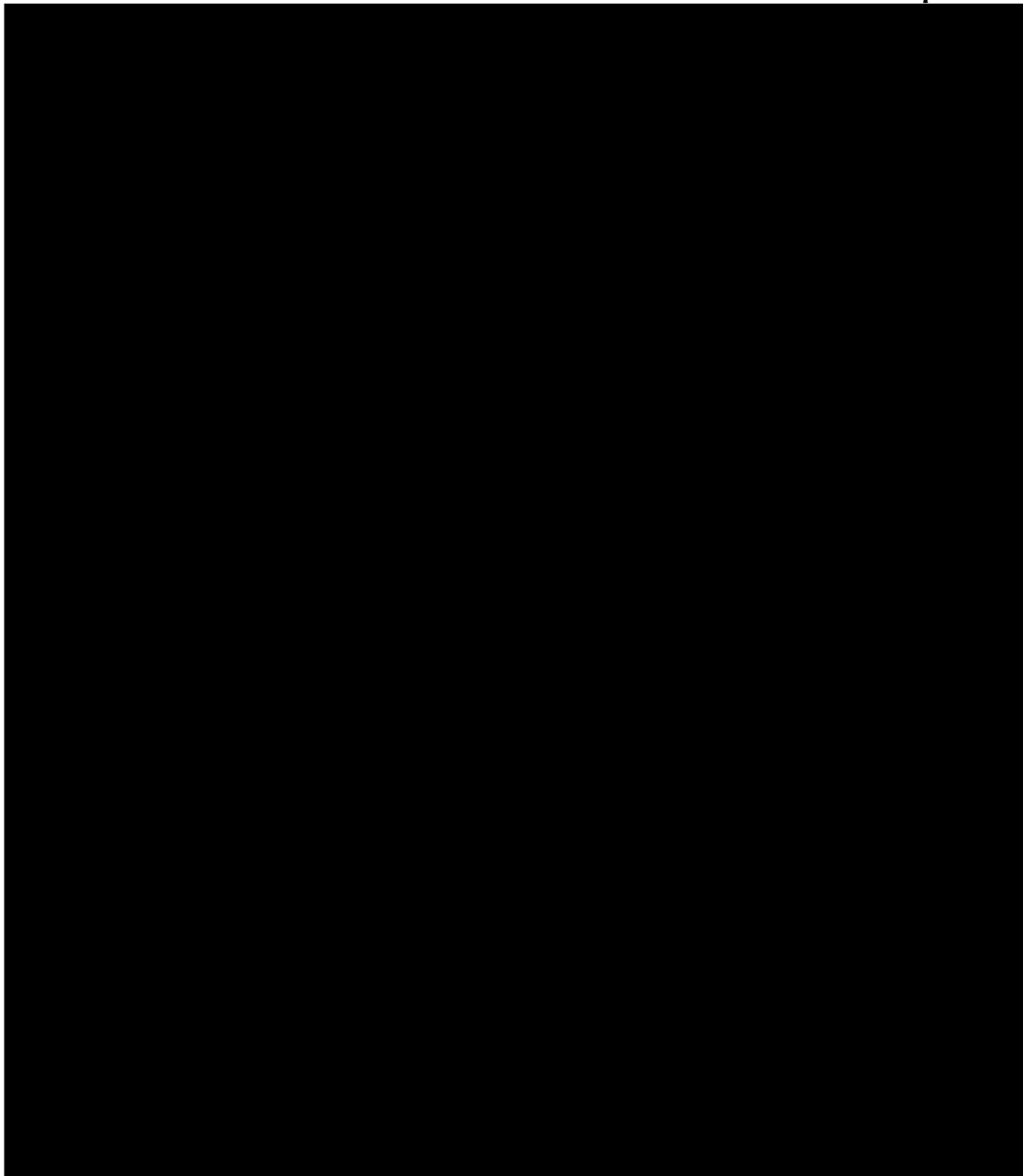
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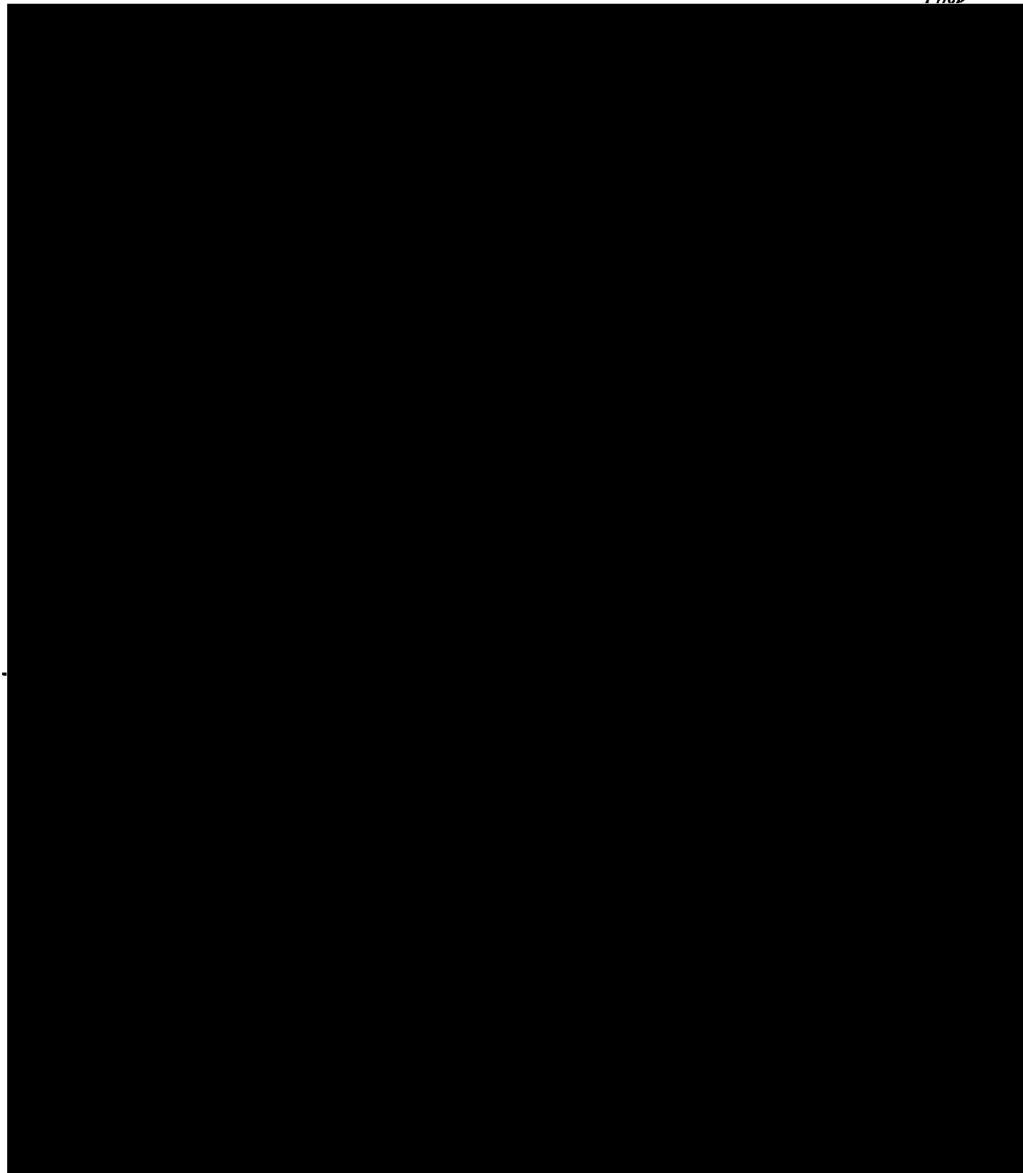
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Near East and
South Asia Review

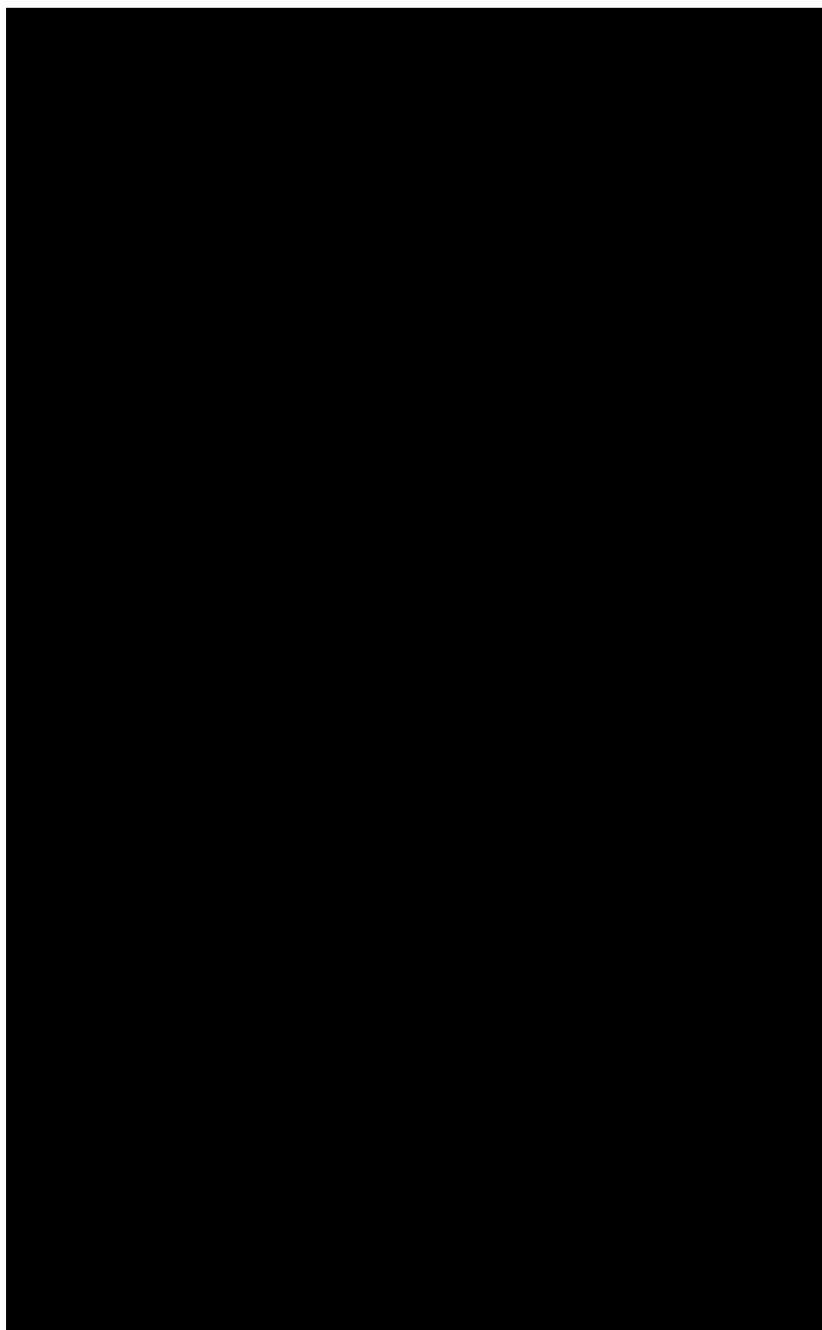
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Pakistan-Bangladesh: Reaction to the Indo-Nepalese Dispute

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The dispute between India and Nepal over renegotiation of expired trade and transit treaties has heightened concerns in Islamabad and Dhaka over New Delhi's regional ambitions. Neither Pakistan nor Bangladesh is willing to risk antagonizing India by providing significant support to Nepal. ()

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Pakistan-Bangladesh: Reaction to the Indo-Nepalese Dispute

The continuing dispute between India and Nepal over renegotiation of expired trade and transit treaties has heightened concerns in Islamabad and Dhaka over Indian ambitions in South Asia. We believe India's neighbors view the impasse between New Delhi and Kathmandu as another example of Indian muscle flexing in the region. Although Islamabad and Dhaka have expressed concern about Kathmandu's predicament, we believe the diplomatic and economic support they can offer Nepal is limited. Neither is willing to risk antagonizing New Delhi by providing high levels of support to Kathmandu, and both probably recognize that substantial external support could result in greater Indian pressure on Nepal.

New Delhi, which was displeased with Nepalese efforts to assert greater independence in its external relations, and Kathmandu, which was determined to assert its independence, allowed the two economic treaties that governed bilateral trade and transit rights to lapse in March. India has since closed most border crossing points for bilateral trade and levied duties on Nepalese goods. Although the economic impasse has caused severe shortages and spiraling inflation in Nepal, Kathmandu has resisted most Indian demands, believing it can weather the economic difficulties.

The Pakistani Reaction

We believe Islamabad will provide limited assistance to Kathmandu but that Pakistan's regional political concerns and economic difficulties will limit the scope of this aid.

Kathmandu has asked that the Pakistani assistance not be publicized to avoid further antagonizing New Delhi, according to press reporting.

In May the Pakistani Ministry of Foreign Affairs issued a statement urging an amicable settlement of the Indo-Nepalese trade dispute in the spirit of the South Asian Association for Regional Cooperation.¹ Nepalese officials initially hoped that Pakistani Prime Minister Bhutto would use her role as chairman of the Association to encourage New Delhi to resolve the dispute, according to press reports. Pakistani officials, however, have argued that the organization usually does not become involved in bilateral disputes. Nevertheless, we believe Bhutto will raise—though not press—the issue with Indian officials when she visits New Delhi later this year.

Pakistan, which has always worried about New Delhi's pre-eminent power in the region, is concerned that, if Nepal caves in, India's regional influence will be strengthened.

In the wake of Indian intervention in Sri Lanka and the Maldives and pressure on Nepal, we believe Islamabad is concerned that it may be New Delhi's next target.

We believe Bhutto came to power hoping to improve bilateral relations with India so that resources would be shifted away from the military, but the Indian action against Nepal may help to sidetrack that

¹ Members of the South Asian Association for Regional Cooperation include India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, and the Maldives.

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effort. [REDACTED]

[REDACTED] In our judgment, this attitude could easily dampen expectations for cooperation between Islamabad and New Delhi in areas such as confidence-building measures and arms control that have been under discussion since the successful meeting between Bhutto and Indian Prime Minister Gandhi in December. [REDACTED]

The View From Bangladesh

Dhaka has assured Kathmandu of support throughout the crisis and on several occasions has publicly registered strong disapproval of Indian suspension of trade with Nepal. [REDACTED]

[REDACTED] The Bangladeshi press has reported that New Delhi has blocked transit routes between Dhaka and Kathmandu, making it difficult for Dhaka to fulfill promises of assistance. [REDACTED] however, [REDACTED] the transit routes are open and not subject to unusual delays. India has maintained from the outset of the crisis that trade between Nepal and other countries would not be affected. [REDACTED]

We believe Dhaka—despite its rhetoric—will provide only token support to Kathmandu because it is unwilling to antagonize the Indians. [REDACTED]

Outlook

We believe the impasse between India and Nepal has heightened concerns among other nations in the region, particularly Pakistan and Bangladesh, about Indian ambitions. Despite suspicions over Indian intentions officials in Dhaka and Islamabad realize that their options are limited. Bangladesh needs Indian cooperation on water issues, and Pakistan realizes it does not have the military or economic power to challenge New Delhi. As a result, we believe the two countries will try to limit support for Nepal to a level that would not seriously offend India. [REDACTED]

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